

FACT SHEET:

Bush Budget Undermines Retirement Security

Even as middle-class Americans are struggling to achieve financial security, the Bush budget ignores the very real challenges they are facing. It fails to create jobs, and instead creates record deficits. It shortchanges education, health care, veterans' benefits, and small business. Instead of helping working families, it provides additional tax breaks for those who need them least, and billions of dollars in new giveaways to HMOs and other wealthy corporate interests.

Permitting corporations to slash older workers' pensions. Under the Bush budget, big companies can continue to make deep cuts in pension benefits for older workers, despite past rebuffs by both the courts and Congress. Companies that operate traditional pension plans can convert them to "cash balance" plans in which some older workers' pensions would be slashed by up to 50 percent. The Bush budget fails to protect the 8 million workers and retirees who may have been harmed by these pension conversions, and gives corporations the green light to violate pension age discrimination laws, while providing inadequate protection to workers affected in the future.

Rewarding the wealthy, instead of helping ordinary Americans save. The President's budget includes savings proposals, which would allow wealthy people to shelter more of their investment income from taxes. It does next to nothing to help ordinary Americans to save, and eliminates the only savings account that helps over 36 million middle-class families save for their retirement – tax deductible IRAs. Further, it eliminates the incentive for small businesses to establish a retirement plan for their employees. Instead, the budget creates lifetime and retirement savings accounts that allow Americans to deposit up to \$10,000 in these accounts, with earnings (not contributions) being tax-free. This proposal makes these savings accounts into tax shelters for the rich by eliminating the current income limits and increasing the amount that could be deposited.

Spends every dime of the Social Security Trust Fund on tax cuts for the wealthy. The budget provides more than \$1 trillion dollars of tax cuts for the wealthy, which forces the borrowing of every dime from the Social Security Trust Fund. When the President took office, the government was projected to save every dollar of the Social Security surplus. But under his new tax plan, the Bush Administration would borrow and spend all of the money from the Social Security Trust Fund over the next 10 years, just as the Baby Boomers are about to retire. The long-term cost of the Administration's tax cuts is more than three times the entire long-term Social Security shortfall.

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Social Security Privatization. In his State of the Union address, the President continued his calls for Social Security privatization. This radical proposal pushed by Bush's Wall Street contributors would permanently damage Social Security, diverting nearly \$2 trillion out of the Social Security Trust Fund for private accounts over just the next 10 years. The result: Social Security benefit cuts for seniors and the disabled who rely on Social Security to make ends meet, or an increase in the retirement age, or both.



Office of the House Democratic Leader Nancy Pelosi, February 11, 2004



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